
Private Inurement Expressly Prohibited for Section 501(c)(4) Organizations

Notice 96-47

This notice summarizes an important aspect of Taxpayer Bill of Rights 2 related to the amendment to § 501(c)(4) of the Internal Revenue Code. Taxpayer Bill of Rights 2, Pub. L. No. 104-168, 110 Stat. 1452, (TBOR2) was enacted July 30, 1996. See Notice 96-46, page 7, this Bulletin, for aspects of TBOR2 related to excise taxes on excess benefit transactions engaged in by § 501(c)(4) organizations and § 501(c)(3) organizations (except private foundations), and Notice 96-48, page 9, this Bulletin, for disclosure requirements for, and increases in certain penalties on, exempt organizations generally.

Private Inurement Expressly Prohibited for § 501(c)(4) Organizations

TBOR2 amends § 501(c)(4) to expressly prohibit inurement of any part of the net earnings of an entity otherwise described in that section to the benefit of any private shareholder or individual. That amendment applies to inurement occurring on or after September 14, 1995. The amendment does not apply, however, to inurement occurring prior to January 1, 1997, if that inurement results from a written contract that was binding on September 13, 1995, and continued in force through the time that the inurement occurred.

Comments on Future Guidance Invited

The Service invites comments on the amendments made by § 1311(b) of TBOR2 (the amendment to § 501(c)(4)). The Service will consider these comments in drafting future guidance. In order to issue this guidance promptly, the Service requests that written comments be submitted by December 12, 1996. Send submissions to: CC:DOM:CORP:R (Notice 96-47), Room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (Notice 96-47), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC. Alterna-

tively, taxpayers may submit comments electronically via the Internet directly to the IRS internet site at http://www.irs.ustreas.gov/prod/tax_regsg/comments.html.

The principal author of this notice is Phyllis Haney of the Office of Associate Chief Counsel (Employee Benefits and Exempt Organizations). For further information regarding this notice contact Ms. Haney on (202) 622-4290 (not a toll-free call).
